



Movies • New Media • Television • Broadcasting

UTV Software Communications Limited

EARNINGS RELEASE
.....
FOR THE QUARTER ENDED DEC 31, 2006

Q3 FY2007 as compared to Q3 FY2006

- | | |
|-----------------------------------|---|
| – Operating Revenues | – Rs 436 million, up from Rs 375 million |
| – Operating Income | – Rs 35 million, up from Rs (91) million |
| – Hungama TV Sale - Capital Gains | – Rs 263 million |
| – Net Profit | – Rs 283 million, up from Rs (55) million |

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- **Board Recommends an Interim Dividend of 25%**
 - **UTV Inducts two new Board Members: Mr. Andy Bird from The Walt Disney Company and Mr. Kishore Biyani of Pantaloon**
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Mumbai, India; January 25, 2007 – *UTV Software Communications Limited* (UTVS.BO, UTVS.NS) today reported its results for the quarter ended December 31, 2006. Consolidated revenue of the Company for the quarter is Rs 704 million, which includes Capital Gains of Rs 263 million from the sale of United Home Entertainment Ltd (Hungama TV), EBITDA – Rs 303 million and Net Profit is Rs 283 million.

The Company has consolidated the financials of *UESL, UTV-US, UTV-UK and UTV-Mauritius*. The Board of Directors in its meeting held today, have taken on record the un-audited consolidated financial results of *UTV Software Communications Limited* and its subsidiaries.

Mr. Ronnie Screwvala, CEO of the Company said, "The quarter has been a very eventful one; while the *Hungama TV* deal with *The Walt Disney Company* was consummated during the quarter, the Company also decided to make investments in two gaming companies – Ignition Entertainment and Indiagames Ltd in console and mobile space respectively. With these proposed investments UTV has acquired worldwide capabilities of content creation and distribution across all gaming platforms.

Two movies were released during the quarter, both of them opening to excellent responses. *Don*, released in international markets was one of the biggest grossers of the year in the international markets. *Bhagam Bhag*, released in certain territories in North India, also opened to packed houses. The television business continues to show growth over the previous year, with revenues in this segment during the nine months, showing a growth of almost 40% over the same period in the previous year. The Company has entered into exclusive sales and marketing tie up with *Radaan Media*, the largest TV production house in South India. This will result in significant growth in Television businesses in the months to come. In addition to this and as a step towards entering the South Indian film production space, UTV has tied up with *Radaan* for co-production of all South Indian films."

Company performance in brief (Consolidated)

Given below is the brief income statement of the Company consolidated with its subsidiaries for the fiscal 2007 and 2006 (in Rs million)

| | Q3FY07 | Q3FY06 | Δ | 9MFY07 | 9MFY06 | Δ |
|--------------------------|---------------|---------------|----------|---------------|---------------|----------|
| Operating Revenues | 436 | 375 | 16% | 1,345 | 1,250 | 8% |
| Expenditure | 401 | 466 | (14%) | 1,207 | 1,227 | (2%) |
| Operating Income | 35 | (91) | | 138 | 23 | |
| Add: Other Income | 268 | 17 | | 271 | 34 | |
| Depreciation | 15 | 12 | 25% | 44 | 34 | 29% |
| Interest expense | - | - | - | - | - | - |
| Profit before Tax | 288 | (86) | | 365 | 23 | |
| Provision for Tax | 5 | (31) | | 8 | (3) | |
| Profit after Tax | 283 | (55) | | 357 | 26 | |

At the end of Dec 31, '06, total Capital Employed in operations is Rs 2,660 million, which includes Rs 568 million in Cash in bank & deposits.

Annualised Return on Capital Employed (ROCE) for the Company from its business operations is 8.4%. This is after considering over Rs 800 million invested in movies which are under production and yet to be released in the year 2007. (ROCE calculations do not include the Cash in bank/ deposits and Other Income).

Segment performance (Consolidated) (Rs in million)

| Segment Revenues | Q3 FY07 | Contribution | Q3 FY06 | Δ |
|---------------------------|----------------|---------------------|----------------|------------|
| Television * | 204 | 47% | 182 | 12% |
| Films ^ | 216 | 50% | 178 | 21% |
| Allied Content services # | 19 | 4% | 21 | (10%) |
| (Inter-segment) | (3) | | (6) | |
| Total | 436 | | 375 | 16% |

| Segment Results | Q3 FY07 | Margins | Q3 FY06 | Δ |
|---------------------------|----------------|----------------|----------------|----------|
| Television * | 24 | 12% | 18 | 33% |
| Films ^ | 26 | 12% | (96) | |
| Allied Content services # | 1 | 5% | 8 | (88%) |
| Total | 51 | 12% | (70) | |

| Capital Employed | As on Dec | Contribution | As on Dec | Δ |
|---------------------------|------------------|---------------------|------------------|------------|
| | 31, 06 | | 31,05 | |
| Television * | 434 | 16% | 490 | (11%) |
| Films ^ | 1,264 | 48% | 881 | 43% |
| Allied Content services # | 304 | 11% | 268 | 13% |
| Unallocable | 658 | 25% | 718 | (8%) |
| Total | 2,660 | | 2,357 | 13% |

* Television segment include, TV Content, Airtime sales, Animation and Dubbing businesses

^ Films segment include, Films Production, Distribution – Domestic & International and Home Entertainment

Allied Content services comprises of Post Production business

Television Segment

Television segment primarily consists of all products and services offered for the small screen businesses. Therefore, this segment of the Company constitutes TV Content production, Airtime sales, Animation and Dubbing businesses.

The contribution from this segment during the quarter ended Dec 31, 2006 was 47% of all operating revenues. Revenues from this segment in Q3 FY07 have shown an increase of 12% over revenues in Q3 FY06. For the nine-month period in the present fiscal, TV revenues have reported growth of over 39% as compared to the same period in previous year.

TV Content: UTV's TV Content segment represents the shows produced by the company on commission basis. The company is currently producing shows for *Star Plus*, *Doordarshan* and *Hungama TV*. Another show *Arranged Marriage* is in the pipeline for the *Star Network*. The company is also producing a non-fiction television show for *National Geographic Channel*.

Air Time Sales: During the quarter, the company managed close to 200 hours of content across various South Indian channels with an addition of a daily on *Surya TV*.

The Company has entered into an exclusive arrangement with *Radaan Media*, a leading production house in the South India to market all programs produced by them. As part of this new arrangement, with effect from January 2007, the Company has started marketing the #2 show on *Sun TV*, which is in addition to the already existing top rated show *Kolangal* on *Sun TV*. Two more daily shows from *Radaan* stable on *Udaya TV* and *Gemini TV* in prime time are expected to start by the end of 4Q07. Collectively, the company is expected to market over 80 hours of content per month.

Animation: The Company continued to make deliveries from its pending order book. During the quarter, deliveries for 3 DVD features were completed. Its pending order book consists of around USD 13 million worth of deliveries to be executed during next 24 months for TV Series, DVD Movies & short series. In addition, two theatrical feature films with *Porchlight Entertainment* and Will Smith's *Overbrook Entertainment* and three Indian animated movie projects are being developed out of India. The Company is working towards enhancing the order book through additional work for TV series to the tune of USD 4 million.

Film Segment

Film segment comprises all products and services resulting in the big screen exploitation such as movies production and distribution in India and abroad. The Films revenue during the quarter is Rs 216 million as compared to Rs 178 million in Q3 FY2006. The profit for this segment is at Rs 26 million during the quarter as against a loss of Rs 96 million in the corresponding quarter of the previous year. This segment has contributed to 50% of the Company's operating revenues this quarter.

During the quarter, the Company distributed *Don* in the international markets. Also distributed Akshay Kumar and Govinda starrer *Bhagam Bhag* in certain territories. The movie having released towards the end of the quarter, revenues and related expenses have not been considered in these quarterly results. During the second quarter, the Company released *Khosla Ka Ghosla* and since it was released towards the end of that quarter, only a part of its revenues has been captured in the current quarter.

UTV has tied up with leading directors and actors to ensure a world-class slate of multi-genre films. The Company has tied up with the following talent for multiple films – *Rakeysh Mehra, Ashutosh Gowariker, Rituparno Ghosh, Vishal Bhardwaj, Vivek Agnihotri, David Dhavan, Prakash Jha, Madhur Bhandarkar, Annes Bazmi, Anurag Basu, Milan Luthria, John Abraham, Ajay Devgan* and is in talks with many others.

As a step towards entering into South Indian movie Industry, UTV has exclusive tie-up with Radaan for co-production of South Indian movies.

Immediate Releases:

| # | Films | Director | Cast |
|---|------------------------|-----------------|--|
| 1 | Hat Trick | Milan Luthria | Kunal Kapoor, Paresh Rawal |
| 2 | Namesake | Mira Nair | Tabu, Irfan Khan |
| 3 | I Think I Love My Wife | Chris Rock | Chris Rock |
| 4 | Metro | Anurag Basu | Konkana Sen, Shilpa Shetty, Shiney Ahuja, Irfan Khan |
| 5 | Fear | Mukesh Bhatt | |
| 6 | Blue Umbrella | Vishal Bhardwaj | Pankaj Kapoor |

International Co-productions: The Company has tied up for various co-production opportunities with global studios. *Namesake*, UTV's first international co-production is expected to release during the next quarter. The Company's next co-production with Fox titled '*I think I Love My Wife*' is also expected to release around the same time. The Company has also tied up with *Will Smith's* company Overbrook Entertainment for a live action film to be released in fiscal 2009.

Allied Content Services

This business segment comprises of post-production and VFX activities of the Company. During the quarter this segment has contributed about 4% of the operating revenues of the Company. Commercial operations of newly invested Film Digital Intermediary and VFX facility were

delayed by around six months resulting into low revenues and profitability. The new facility is fully operational now.

Corporate Developments

Reconstitution of Board: The Board of UTV is being reconstituted with induction of Mr. Andy Bird and Mr. Kishore Biyani as Non-Executive Directors while Mr. Ketan Dalal and Mr. Rahul Shah exit from Board.

Mr. Andy Bird, President, Walt Disney International, brings to the table a very strong media and entertainment background and has been instrumental in Disney's business expansion in Europe, Latin America and Asia.

Mr. Kishore Biyani, CEO, The Future Group, which is designed to cater to the entire Indian consumption space. The group's flagship enterprise, Pantaloon Retail, is India's leading retail company and has multiple retail formats that cater to a wide cross-section of the Indian society.

Strategic Sale of Hungama TV: UTV relinquished its stake in *Hungama TV* by selling 100% equity & convertible preference share capital in *UHEL* to the *Walt Disney Company SouthEast Asia Pte Ltd.* for an aggregate consideration for around USD 30.5 million. UTV would continue to be instrumental in providing local content to the channel. Regulatory approvals for the same were received during the quarter resulting in the consummation of the transaction. These funds received are being utilized for repayment of loans and expansion of the company's existing businesses.

Broadcasting JV with Astro: UTV proposes to enter into a 50:50 JV with Astro of Malaysia for its new venture in broadcasting. The venture, to be targeted at the youth, age group 17-25, is planned as a 360 degree entertainment venture including TV channel as the anchor, to be flanked by activities on the internet, new media, ground events, merchandising and licensing. Work on the venture is on in full swing and the venture is expected to be launched during the first or second quarters of the next fiscal.

Acquisition of Gaming Companies: The Company proposes to acquire a 70% stake in *Ignition Entertainment Ltd. (Ignition)*, a UK based Company with interests in console game development, publishing and distribution across the globe, as well as a controlling stake in *IndiaGames Ltd. (IG)*, the largest gaming company in India, with interests in mobile gaming and on line gaming. The gaming software market (including Console, PC, mobile and online gaming) worldwide is estimated to be worth around US\$ 30 million.

Acquisition of *Ignition* gives the Company access to a majority of the total gaming software market. It also brings to the table phenomenal relationships with hardware manufacturers, game developers and distributors such as Sony, Nintendo, Microsoft, SNK, Konami, Atari, Virgin, Wal Mart, etc. *Ignition* is currently developing a path-breaking top end game 'WarDevil'

budgeted at around GBP 10 million and is expected to release it in the year 2008 exclusively on the Sony Playstation3™ (PS3) platform.

IG is currently involved in mobile game development, publishing and distribution across 67 countries through 80 telecom partners like Vodafone, Verizon, Hutch and Airtel. Its latest venture into PC games distributed online through broadband ISPs like BSNL, MTNL, Airtel, Tata and VSNL amongst others is expected to be a major value driver for the Company. *IG* is present in one of the fastest growing segments of the entertainment industry in India. The mobile gaming space is expected to grow at around 50% yoy for the next 4 years. Globally, this segment is estimated to grow at about 28% yoy for the same period.

Partnership with Radaan: UTV and Radaan, largest South Indian TV Content producer based in Chennai, has entered into a partnership wherein UTV will exclusively market all TV programs produced by *Radaan*. In addition to this UTV will carry out all its South Indian movie initiatives with *Radaan* in the form of co-production.

Interim Dividend: The Board of Directors in its meeting held on January 25, 2007 declared an interim dividend of 25%.

Merger of UESL with UTV: The Company in its Extraordinary General Meeting held on Oct 16, 2006 decided on a "Scheme of Arrangement" for the merger of its 100% subsidiary *United Entertainment Solutions Ltd* (UESL) with the Company w.e.f. April 1, 2006. Earlier, the Company had taken necessary shareholder's approvals and the Honorable High Court has also approved the said scheme of merger on January 12, 2007. The effect of the same would be given in the next quarter.

Business Outlook

Company's future growth is expected through organic as well as inorganic modes of expansion. It is making significant investments in the areas of content creation for all platforms, may it be TV, Movies, Animation and Gaming along with the broadcasting pipelines.

In the Movie business, the Company has incubated a pipeline of 'multi-genre' films of varying budgets, targeted both at Bollywood as well as Hollywood audiences. The Company has also tied up with a leading producer of South Indian content, Radaan Media for co-production of all South Indian regional films going forward.

Television Content business in the country remains fragmented and hence UTV has adopted very cautious approach towards the TV segment. Move towards exclusive tie up with Radaan for Airtime-sales is expected to boost the scale in this segment. TV content business will continue to churn out 'multi-genre' content for broadcasters and growth will primarily come from the Company's own broadcasting venture.

In the Animation business, the Company will focus mainly on its IPR intensive productions and co-productions for worldwide monetisation, while using the outsourcing services model as a stable revenue and margin business tool.

UTV's proposed investments in Gaming businesses worldwide are expected to contribute towards scale, both in terms of top line and profitability margins in the months to come. These businesses are expected to bring significant synergies with the Company's Animation and VFX businesses.

UTV prides itself on the relationships that it has developed over the years. These relationships with International majors are expected to benefit all its businesses in the times to come. On the movies front, UTV currently leverages strong relationships with majors like *FOX, Disney, Sony, Will Smith's Overbrook & Mira Nair* and production houses such as *Porchlight, BKN* and *MikeYoung Productions* in Animation business.

The Company is focused on content creation across all platforms and its proposed investments into the Gaming business provide the company with new and valuable platforms for content exploitation. UTV realizes the importance of owning IPR and aims to establish itself as one of the top creators of content across platforms not only in India but also across Asia.

About UTV

Incorporated in 1990, UTV has today emerged as one of India's leading and most respected integrated Media & Entertainment companies. Listed on the Indian Stock Exchanges, it has grown from a Television Production house, into an integrated media company with a business interests in Television Content, Motion Pictures, New Media that includes Animation and gaming and Broadcasting. UTV recently announced a joint venture with Malaysia based Astro Measat, for a youth-focused broadcasting venture. UTV has a strong international presence with offices across Asia, UK and USA.